GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2556
ANSWERED ON:17.03.2017
Banks Lending for Private Investments
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Will the Minister of FINANCE be pleased to state:

(a) whether the banks inability to lend hindering is private investment and if so, the details thereof;

(b) whether the domestic private investment is the only growth engine that still needs to pick up and banks must recover their loans to help boost private investment and if so, the details thereof; and

(c) whether a large part of the delay in recovery of loans was due to deliberate steps taken by creditors not to pay their debts on time and if so, the details thereof and the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Reserve Bank of India (RBI) has informed that the Annual credit growth of Public Sector Banks (PSBs) slowed down from 7.12% as at end of March 2015 to 3.82% as at end of March 2016. Lower credit growth of PSBs could possibly be on account of rebalancing of portfolio in the wake of impairments leading to higher credit costs including provisions, stress in certain sections etc. As for private investment due to over leveraged position of several corporates, they may be postponing the new investments.

The management of loan sanctioning / recovery activity, in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies. Banks have been advised to prepare a well-defined loan policy approved by their Board of Directors which should lay down exposure limits to individual/group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc. Banks have to consider different loan proposals based on their commercial judgment and merits of each case keeping in view the loan policies approved by their Board of Directors.

(c): RBI has provided a number of tools in this regard − Corporate Debt Restructuring (CDR), Formation of Joint Lenders' Forum (JLF), Flexible Structuring for long term project loans to Infrastructure and Core Industries (5/25 Scheme), Strategic Debt Restructuring Scheme (SDR) and Sustainable Structuring of Stressed Assets (S4A). The Government has taken sector specific measures (Infrastructure, Power, Road, Textiles, Steel etc.) where incidence of NPA is high. The Insolvency and Bankruptcy Code (IBC) has been enacted and Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) and the Recovery of Debts due to Banks and Financial Institutions (RDDBFI) Act have been amended to improve resolution / recovery of bank loans. Six new Debt Recovery Tribunals (DRTs) have been established for improving recovery.

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